BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES GLOBAL EXPEDITED PACKAGE SERVICES 6 (MC2016-149) NEGOTIATED SERVICE AGREEMENT	Docket No. CP2016-261

MOTION FOR PARTIAL RECONSIDERATION OF ORDER NO. 3488
(September 1, 2016)

On August 17, 2016, the Postal Service filed Library Reference USPS-LR-CP2016-261/NP1,[1] which described a minor change to two FY15 files that were contained in the USPS-ACR15-NP2 <ICM Costing> directory. In PRC Order No. 3488[2] approving the GEPS 6 Agreement that is the subject of that docket, the Commission also addressed Library Reference USPS-LR-CP2016-261/NP1. The Commission found that the revisions in USPS-LR-CP2016-261/NP1 "constitute a change in accepted analytical principles where they result in material changes to the cost methodology of this Agreement."[3] And, the Order further stated, should the Postal Service seek to rely on the methodology in the Library Reference for a subsequent filing, it should initiate a proceeding in a new docket to review this change pursuant to 39 C.F.R. § 3050.11.

The Postal Service asks the Commission to reconsider the portion of Order No. 3488 finding that the contents of the library reference constitute a change in accepted analytic principles.[4] The Commission has previously decided that "correcting an error …would only require notice and a brief explanation at the time that an annual compliance report is filed with

---

[1] Notice of the United States Postal Service of Filing of USPS-LR-CP2016-261/NP1, Docket No. CP2016-261, August 17, 2016.
[2] PRC Order No. 3488, Order Approving Additional Global Expedited Package Services 6 Negotiated Service Agreement, Docket No. CP2016-261, August 25, 2016.
[3] Id. at 6.
[4] Obviously, the Postal Service does not seek reconsideration of the portion of Order No. 3488 approving the proposed agreement.

the Commission," in contrast with a full-blown change in analytic principles that instead would require advance review and acceptance by the Commission.[5] As explained below, the Postal Service is of the view that the revisions provided in USPS-LR-CP2016-261/NP1 reflect corrections of previous errors, rather than "changes in analytical principles" as defined in Order No. 104. Therefore, the Postal Service submits that the advance review procedures of 39 C.F.R. § 3050.11 should not be required in this instance. Accordingly, the Postal Service respectfully requests that the Commission reconsider the portion of Order No. 3488 finding further review to be appropriate, and confirm that it is the corrected versions of the models in USPS-LR-CP2016-261/NP1 that are consistent with the accepted methodology, not the previous (incorrect) versions of those models. On that basis, the Postal Service further requests that the Commission find that the Postal Service can rely on the models in USPS-LR-CP2016-261/NP1 for purposes of subsequent filings.

BACKGROUND

Initially, the Postal Service acknowledges that the somewhat cursory description of the nature of the instant revisions provided in the Preface of USPS-LR-CP2016-261/NP1 may not have been ideal in terms of putting those revisions in their full context. In retrospect, it is perhaps understandable why that description might not have provided the Commission with abundant information to distinguish what was actually a fairly mundane correction of previous errors from what appeared to potentially be a more significant change in analytic principles. Hopefully, the information provided in this pleading can rectify any deficiency.

Complicating the situation is the fact that the previous errors in question did not reside in the models initially presented in USPS-FY15-NP2 and subsequently revised in USPS-LR-CP2016-261/NP1. Instead, the errors occurred upstream in the FY2015 ACR documentation,

---

[5] PRC Order No. 104, Notice of Proposed Rulemaking Prescribing Form and Content of Periodic Reports, Docket No. RM2008-4, August 22, 2008 at 27.

and thus were only reflected in the *inputs* to those models. Specifically, the errors were rooted

in the IOCS program code in USPS-FY15-37. Under most circumstances, detecting such errors

in the IOCS program code at this time of year would normally result in nothing more than

correction of the errors in the appropriate file in the IOCS documentation for next year's

reporting (i.e., the FY2016 ACR). In accordance with the above-quoted language from Order

No. 104 and with 39 C.F.R. § 3050.2(a), this correction would be noted and explained at that

time, most likely in the portion of the Preface of USPS-FY16-37 where such matters are
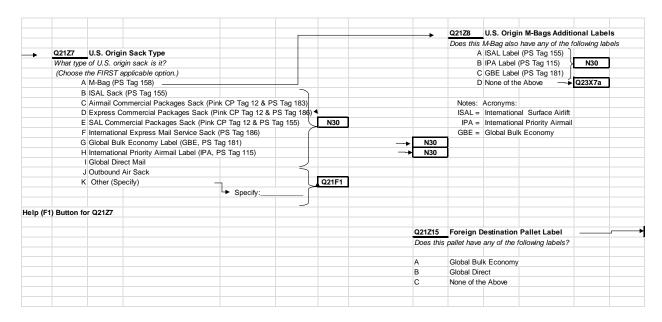
routinely discussed.

Two factors, however, make the present circumstances unusual, and ultimately resulted

in the submission of USPS-LR-CP2016-261/NP1. The first factor is the close relationship

between the specific coding errors detected, and the key role played by the specific IOCS

outputs affected by those errors when employed as inputs in certain models in USPS-FY15-

NP2. The second factor is the ongoing need throughout the year for the Postal Service to rely

on those USPS-FY15-NP2 models when documenting the financials for proposed new

agreements of the type presented (and approved) in this docket. Plainly stated, once the coding

errors were detected, the Postal Service was unwilling to present financial models premised on

FY2015 ACR inputs that the Postal Service now knew had been generated by flawed program

code. Therefore, rather than wait until the FY2016 ACR was filed to address the situation, the

Postal Service determined to fix the program code and rerun the FY2015 IOCS in order to

generate valid inputs for the models previously presented in USPS-FY15-NP2. Of course, in

order for the Postal Service to be able to rely on the models with the corrected inputs in

subsequent new proceedings, it was necessary to provide the Commission with new versions of

the models with the revised inputs. The vehicle used for that purpose was USPS-LR-CP2016-

261/NP1, submitted on August 17. It bears emphasis, however, that no changes were made in

the USPS-FY15-NP2 models other than substituting the corrected input values for the previous

incorrect values, and that the only purpose for the revisions was to reflect correct information in the financial documentation of the proposal.

NATURE OF THE CHANGES

As the above discussion indicates, the only changes reflected in the revised models presented in USPS-LR-CP2016-261/NP1 are input changes directly rooted in changes in the IOCS programming code (relative to what was presented in USPS-FY15-37). Therefore, the true question to be resolved is the nature of the changes in IOCS programming code: are they essentially error corrections, or do they constitute more significant methodological changes requiring advance review? This question, in turn, requires some discussion of exactly what type of change constitutes correction of an error? Order No. 104 at page 27 gave one example of error correction as fixing misidentification in a spreadsheet of a row or column, and another example as changing a formula that previously applied to a wrong cell. These examples of errors can fairly be generalized as instances in which there is a discrepancy between the operations the procedure was intended to perform, and the operations that the mechanics of the procedure actually perform. Realigning the mechanics of the procedure with the original intent appears to be the essence of correcting an error.

To understand how the relevant IOCS coding in the FY2015 ACR deviated from what was intended and required correction, it is necessary to examine two sources of information from the IOCS documentation accompanying the ACR, provided in USPS-FY15-37. The first source is the IOCSDataEntryFlowchart15.xlsx. It includes a tab labelled Q21Z-Intl Sacks. The most relevant portions of that tab can be found in the flowcharts relating to Q21Z7 (US Origin Sack Type) and to Q21Z8 (US Origin M Bags Additional Labels). (An Excel file of the entire Q21Z-Intl Sacks tab of the flowchart is attached electronically to this filing, while an extract of Q21Z7 and Q21Z8 appears below.)

Q21Z7 — **U.S. Origin Sack Type**
What type of U.S. origin sack is it?
(Choose the FIRST applicable option.)

- A M-Bag (PS Tag 158)
- B ISAL Sack (PS Tag 155)
- C Airmail Commercial Packages Sack (Pink CP Tag 12 & PS Tag 183)
- D Express Commercial Packages Sack (Pink CP Tag 12 & PS Tag 186)
- E SAL Commercial Packages Sack (Pink CP Tag 12 & PS Tag 155) → N30
- F International Express Mail Service Sack (PS Tag 186)
- G Global Bulk Economy Label (GBE, PS Tag 181) → N30
- H International Priority Airmail Label (IPA, PS Tag 115) → N30
- I Global Direct Mail
- J Outbound Air Sack
- K Other (Specify) → Q21F1
  Specify:_____

Help (F1) Button for Q21Z7

Q21Z8 — **U.S. Origin M-Bags Additional Labels**
Does this M-Bag also have any of the following labels

- A ISAL Label (PS Tag 155)
- B IPA Label (PS Tag 115) → N30
- C GBE Label (PS Tag 181)
- D None of the Above → Q23X7a

Notes: Acronyms:
ISAL = International Surface Airlift
IPA = International Priority Airmail
GBE = Global Bulk Economy

Q21Z15 — **Foreign Destination Pallet Label**
Does this pallet have any of the following labels?

- A Global Bulk Economy
- B Global Direct
- C None of the Above

In Q21Z7, the data collector is directed to record the sack type, and given a number of options. The first option is M-Bag (PS Tag 158). If that option is selected, the data collector is then directed on to Q21Z8 to record information from any additional labels, such as those pertaining to ISAL (PS Tag 155), IPA (PS Tag 115), and GBE (PS Tag 181). If the data collector does not select the M-Bag option in Q21Z7 and go to Q21Z8, however, then (still within Q21Z7) there are other sack type options, including ISAL (PS Tag 155), Express Commercial Packages (PS Tag 186), IPA (PS Tag 115), and GBE (PS Tag 181). This structure leaves no doubt that the intent was to allow the tally to be assigned (if possible) to product (e.g., ISAL, IPA, GBE) based on the label, regardless of whether the mail was in an M-Bag or some other type of sack.

The next source of information from USPS-FY15-37 that must be examined is Program ALB040. The portions of that program (starting near line 1,460) relevant to the instant discussion, in terms of achieving the intent articulated above, are reproduced next:

```
"
********************************************************************
* SPECIFICATION ENTRY POINTS 5.15A
*
* Assign CLK/MH ACTIVITY CODE if handling MIXED MAIL
*      (remaining code 'MAIL' is single piece coded in later steps)
********************************************************************
;
if Q14 = '3' and F236 = 'MAIL' then do;
   if Q23A01   >  '-'  or Q22A02  > 'A' then F236 = F236;
     else
   if Q21E01   =  'B'  then F236 = '6523';
     else
   if Q20D01   in ('A', 'C')        then F236 = '5610';
     else
   if Q20D01   in ('B', 'D')        then F236 = '5620';
     else
   if Q20D01   =  'E'             then F236 = '5700';
     else
   if Q20D01   in ('F', 'G')        then F236 = '5750';
     else
   if Q21Z08   =  'A'         then F236 = '4756'; *ISAL M-Bag;
     else
   if Q21Z08   =  'B'         then F236 = '4758'; *IPA  M-Bag;
     else
   if Q21Z08   =  'C'         then F236 = '4739'; *GBE  M-Bag;
     else
   if Q21Z08   =  'D'         then F236 = '4789'; *Air  M-Bag;
     else
   if Q21Z07   =  'G'  or Q21Z15  = 'A'
                      then F236 = '4735'; *GBE;
     else
   if Q20     in ('C', 'D', 'F') then F236 = '5745'; *Mixed container/item;
     else
   if Q21Z02   =  'A'          then F236 = '5741'; *Mixed inbound;
     else
   if Q21Z02   =  'B'          then F236 = '5742'; *Mixed outbound;
     else
   if Q20     =  'E'          then F236 = '5740'; *Mixed single item;
     else
   F236 = '$$CF';

end;
"
```

As can be seen in the rows highlighted above, the FY15 program code used responses

to Question Q21Z08 identifying ISAL Label (PS Tag 155), IPA Label (PS Tag 115) and Global

Bulk Economy Label (PS Tag 181) to assign tallies directly to the activity codes that correspond

with those products, *if those product labels were associated with an M-Bag*. Furthermore, the FY15 program code used responses to Q21Z07 identifying Global Bulk Economy Label (PS Tag 181) to assign tallies directly to Global Bulk Economy activity code even in those situations in which the material was *not* traveling in an M-Bag. But what the FY15 program code failed to include was code that likewise used the responses to Q21Z07 identifying ISAL (PS Tag 155), Express Commercial Packages (PS Tag 186), and IPA (PS Tag 115) labels <u>not</u> *associated with an M-Bag label* to assign tallies directly to those products. What should have been included as additional rows of code making those assignments were inadvertently omitted. As a result, <u>merely by default</u>, those tallies were instead erroneously assigned to mixed mail, the costs of which are distributed to all products in the ISC costpool.

When viewed in the context of the totality of this FY15 documentation as outlined herein, it is hopefully clear that the results produced by this portion of the FY15 program code did not conform to the intent or design of the data collection instrument. Tallies for some sacks plainly labelled with tags indicating that they contained single product contents were erroneously being assigned to a mixed mail cost pool, rather than to the activity code associated with the single product the sacks contained. That erroneous treatment, however, was only occurring if the contents were not being carried in M-bags, or if the single product label was not PS Tag 181, GBE. When carried in an M-Bag, or in the instance of GBE, the costs were properly being assigned to the single product indicated by the corresponding label. Therefore, the program code not only improperly treated certain single product costs as mixed mail costs, but it also did so in an internally inconsistent manner.

To bring the results of the program code into compliance with the original intent of the system design (i.e., to assign all costs associated with properly-labelled single product sacks to those single products), it was necessary to correct the code by inserting additional rows. The relevant portion of Program ALB040 with the necessary additions (highlighted in gray, to

contrast with how the code originally appeared in USPS-FY15-37 as reproduced above),

appears as follows:

```
"
*********************************************************************
* SPECIFICATION ENTRY POINTS 5.15A
*
* Assign CLK/MH ACTIVITY CODE if handling MIXED MAIL
*       (remaining code 'MAIL' is single piece coded in later steps)
*********************************************************************
;
if Q14 = '3' and F236 = 'MAIL' then do;
   if Q23A01  > '-'  or Q22A02  > 'A' then F236 = F236;
     else
   if Q21E01  = 'B'  then F236 = '6523';
     else
   if Q20D01  in ('A', 'C')        then F236 = '5610';
     else
   if Q20D01  in ('B', 'D')        then F236 = '5620';
     else
   if Q20D01  = 'E'            then F236 = '5700';
     else
   if Q20D01  in ('F', 'G')        then F236 = '5750';
     else
   if Q21Z08  = 'A'          then F236 = '4756'; *ISAL M-Bag;
     else
   if Q21Z08  = 'B'          then F236 = '4758'; *IPA  M-Bag;
     else
   if Q21Z08  = 'C'          then F236 = '4739'; *GBE  M-Bag;
     else
   if Q21Z08  = 'D'          then F236 = '4789'; *Air  M-Bag;
     else
   if Q21Z07  = 'G'   or Q21Z15  = 'A'
                        then F236 = '4735'; *GBE;
     else
   if Q21Z07  = 'B'
                     then F236 = '4755'; *ISAL; *AMS 8Jul16;
     else
   if Q21Z07  = 'D'   or Q21Z07  = 'F'
                        then F236 = '4751'; *EXPRESS; *AMS 8Jul16;
     else
   if Q21Z07  = 'H'
                     then F236 = '4750'; *IPA; *AMS 8Jul16;
     else
   if Q20     in ('C', 'D', 'F')  then F236 = '5745'; *Mixed container/item;
     else
   if Q21Z02  = 'A'          then F236 = '5741'; *Mixed inbound;
     else
   if Q21Z02  = 'B'          then F236 = '5742'; *Mixed outbound;
```

```
   else
if Q20    =  'E'          then F236 = '5740'; *Mixed single item;
   else
F236 = '$$CF';
```

end;

When the necessary rows that had previously been inadvertently omitted were included

and the FY15 program was rerun, the result was to move single product costs out of the default

mixed mail pool and distribute them instead to the appropriate individual products associated

with the labels identified in the flowcharts, in accordance with the methodology described in

USPS-FY15-7. In other words, the mechanics of the IOCS program code were realigned with

the operations originally intended to be performed.[6] The corrected FY2015 IOCS outputs then

became the corrected inputs used to revise the ISAL IPA and ISC Dropship models previously

submitted in the FY2015 ACR in USPS-FY15-NP2. Those revised models, reflecting the

corrected IOCS inputs, were submitted in Docket No. CP2016-261 on August 17, 2016. Since

(when viewed in the full context) those revised models do not actually reflect any changes in

analytic principles, and instead only reflect necessary corrections in the coding used to produce

the IOCS inputs, the Postal Service submits that no further review of the revised models in a

separate proceeding should be necessary before the Postal Service can rely on those

models. The coding was corrected to provide the intended correct data to the methodology; the

methodology (of either USPS-FY15-37 or USPS-FY15-NP2) did not change.

---

[6] While mainframe code and spreadsheets can be different in many ways, a perhaps useful analogy can
nonetheless be drawn using tag numbers as if they were cells. Imagine a cell formula in a spreadsheet
that was intended to sum a number of other cells, including "cells " 155, 186, 115, and 181.
Subsequently, it is discovered that the formula includes the intended reference to "cell" 181, but
references to "cells" 155, 186, and 115 have inadvertently been omitted. The formula, in other words, has
been applied to the wrong "cells." Expanding the formula to apply to all intended "cells" would appear to
be exactly the type of fix identified in Order No. 104 as a "correction." Similarly, expanding the mainframe
program code to extend the intended operation beyond tag 181 to tags 155, 186, and 115 should likewise
be treated as a "correction," with no practical difference from the illustrative example used in Order No.
104.

The Postal Service therefore urges the Commission to reconsider the sections of Order No. 3488 that call for a new docket for review of USPS-LR-CP2016-261/NP1, and instead treat those revisions in the same manner as other minor corrections under 39 C.F.R. § 3050.2(a).

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Anthony F. Alverno
Chief Counsel
Global Business and Service Development
Corporate and Postal Business Law Section

Eric Koetting
Kyle Coppin
Attorneys

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-2368; Fax -5628
Kyle.R.Coppin@usps.gov
September 1, 2016